



INSIDE PASSAGE ELECTRIC COOPERATIVE

July 19, 2021

Dear IPEC Member-Consumers:

IPEC has joined in a lawsuit to defend the Power Cost Equalization (PCE) Endowment from Governor Dunleavy's sweep of the funds into the Constitutional Budget Reserve (CBR).

The lawsuit, which is a combined work of the Alaska Federation of Natives, utilities, municipalities, and Tribal entities, was filed today. It questions, among other things, the constitutionality of the Governor's sweep of the PCE Endowment fund into the CBR. In 2019, the Dunleavy Administration swept the PCE endowment, which is now about \$1.15 billion, into the CBR. With a 3/4 majority vote of the legislature last year, the funds were returned to the PCE endowment. However, this year the legislature failed to get the 3/4 majority vote necessary to accomplish the "reverse sweep" of the endowment funds. Although the legislature included PCE funding in this year's operating budget, the sweep of the endowment left no funding for this year's PCE program.

IPEC and others do not believe the Governor has the authority to sweep the PCE Endowment funds into the CBR. In the lawsuit we note several similar funds that weren't swept into the CBR, among other salient points. This lawsuit was underway last year, but since the legislature voted to reverse the sweep it wasn't necessary to file it.

To give you an idea of how this will affect you as an IPEC power consumer, the current PCE rate is \$.3766 per kilowatt-hour (kWh). For an IPEC residential customer using the 500 kWh maximum subsidy of the PCE program, this amounts to an additional \$188.30 per month that would have to be paid out-of-pocket. PCE funding of community facilities will also be affected at the rate of \$.3766 per kWh.

IPEC, in the meantime, is operating as usual. This means we are continuing to issue PCE credits on member electric bills, and billing the state afterward for reimbursement of the PCE credits as is our usual practice. However, if the reverse sweep isn't accomplished, we will have no choice but to stop issuing PCE credits in the future. As a non-profit, IPEC cannot be sustainable if we aren't collecting enough to pay for the cost of continued safe, reliable, electric service for our communities. Billing as usual this month will cost IPEC about \$134,000 in uncollected PCE revenue, unless we are eventually reimbursed. We cannot continue this practice if funding isn't restored. Last year, IPEC billed and was reimbursed by the PCE program about \$1,614,000.

Please help by contacting urban legislators, and Governor Dunleavy, to plead for the reverse sweep and restoration of the PCE Endowment. IPEC and others worked hard to lobby past legislatures to fully fund the PCE Endowment over the past couple decades. Thanks for your help in this important fight.

Sincerely,

Jodi Mitchell, Chief Executive Office/General Manager
Inside Passage Electric Cooperative, Inc.